



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## Preventing Fraud, Waste, and Abuse in Government Contracting

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# Agenda

- What is Fraud, Waste, and Abuse?
- Trends in fraud, waste, and abuse
- Getting Better Buying Power for Warfighter and Taxpayer
- Government and Industry Wide Interest in Preventing Counterfeit and Fraud
- DLA legal findings



# Fraud, Waste, and Abuse...What is it?





# What is Fraud?



- Simply – fraud is a false representation about a material fact.
- Intentionally misrepresenting the costs of good or services provided.
- An individual, a benefit, privilege, allowance, or consideration to which he/she is not entitled.



# What is Waste

- It is the extravagant, careless, or needless expenditure of Government funds, or the consumption of Government property, that results from deficient practices, systems, controls, or decisions.
- The term also includes improper practices not involving prosecutable fraud.





# What is Abuse?

- It is the intentional or improper use of Government resources.
- Examples include misuse of money, equipment, supplies and/or materials.
- Receipts of favors for awarding contracts to vendors





# Trends in Fraud, Waste, and Abuse

- Exponential increase in Risk
- Huge economic losses for trading partners
- “Perfect storm” for counterfeiters
  - Poor economy has led to lagging production capacity due to lack of capital investment
  - OEMs/CMs are unable to support demand due to decreased availability of components, leading to increased use of open market
  - The result: New markets & increased profitability for counterfeiters



# Getting Better Buying Power for Warfighter and Taxpayer



- FAPIIS ~ Federal Awardee Performance and Integrity Information System
  - CPARS
  - PPIRS
  - **FAR Provisions** regarding contractor performance; defective cost or pricing data; t4c or t4d; past performance shall be evaluated; PPIRS/FAPIIS shall be used to support responsibility determinations; contractor certification, information, and updates
    - **42.1502; 42.1503; 15.304; 9.104; 9.105; 36.303-1, 36.602; 52.209-5, 7, and 9**



# Government and Industry Wide Interest in Preventing Counterfeit and Fraud

- DOD Anti Counterfeiting Working Group
- US Government Inter-Agency Anti-Counterfeiting Working Group
- AIA Special Report ~Counterfeit Parts: Increasing Awareness and Developing Countermeasures, March 2011
- GAO Report: *Defense Supplier Base: DoD Should Leverage Ongoing Initiatives in Developing Its Program to Mitigate Risk of Counterfeit Parts*
- SASC Investigative Staff investigation of DoD counterfeit electronic problem



# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #1** - Establish procedures for program managers to identify items at risk for counterfeiting or requiring authentication of legitimacy. These procedures will, to the greatest extent practicable, utilize current industry standards.



# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #2** - Examine whether regulations are needed to require suppliers to take stronger anti-counterfeiting measures.



# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #3** - Examine when and how product and packaging traceability, reporting and marking processes can be used by prime contractors, their suppliers, federal government personnel and potentially other customers to confirm production authority by the original manufacturer of at-risk items.



# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #4 -**  
Examine government/industry evaluation capabilities and determine whether improvement is needed.





# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #5** - Establish an anti-counterfeiting Training and outreach strategy for the Federal workplace.



# Objectives for US Government-Wide Anti-Counterfeit Working Group

- **Objective #6** - Examine whether additional measures are needed to protect the rights and interests of the U.S., recoup costs and prosecute offenders.





# Objectives for US Government-Wide Anti-Counterfeit Working Group

- Department-Wide
  - Publish counterfeit materiel policy in 2<sup>nd</sup> Quarter FY2011
  - Expand awareness training (annual mandatory course)
  - Establish counterfeit center of excellence (analysis, metrics, trend reporting)
  - Develop / implement modifications to data exchange/reporting system (GIDEP)
- Defense Logistics Agency
- Military Services



# AIA Special Report ~ Counterfeit Parts: Increasing Awareness and Developing Countermeasures

- Procurement/Supplier Selection
- Suspected Counterfeit Part Reporting
- Counterfeit Part Disposition
- Component Obsolescence
- Counterfeit Parts Control Plan
- Standards for Mechanical Parts and Materials
- Training
- Duties of Importers
- Disposal of Electronic Waste



# Industry Participation Counterfeit Prevention

- Continuance of industry working groups
- Dissemination of best practices
- GIDEP participation and reporting
- Participation in voluntary standards bodies
- Vetting and assessment of suppliers





# DLA Legal Findings

## Associate General Counsel Business Integrity





# Suspension and Debarment Process Overview

- PLFA recommendations submitted to DLA Suspension and Debarment Official for Suspension or Debarment under FAR 9.406.
- Recommendations are made by the Contracting Officer
- Forwarded by the PLFA director/commander and include supporting evidence.



# Suspension and Debarment Process Overview

- SDO (DLA Deputy General Counsel) reviews the recommendation and takes action.
- Options include:
  - Notice of Suspension letter
  - Notice of Proposed Debarment letter
  - Show Cause letter
  - Return recommendation to PLFA for clarification/more information
  - Decline to take action



# Suspension and Debarment Process Overview

- Parties who receive a Suspension or Proposed Debarment letter are
  - Listed on the Excluded Parties List System (EPLS) and
  - Ineligible to receive new awards of Government contracts or grants.



# Causes for Suspension or Debarment

- Suspensions are supported by the commission of fraud or a Criminal offense.
- Debarments are supported by a conviction of or civil judgment for a list of reasons.
- DLA uses as a cause the provisions that allows debarment for
  - History of unsatisfactory performance or
  - Failure to perform on one or more Government contracts.



# DoD Suspension and Debarment Statistics for FY2010

## DLA FY2010 Statistics:

Suspensions	139
Proposed Debarments	166
Debarments	131
Total Actions:	436 (FY2009 342)

## Army FY2010 Statistics:

Suspensions	133
Proposed Debarments	170
Debarments	125
Total Actions:	428 (FY2009 363)

## Navy FY2010 Statistics:

Suspensions	25
Proposed Debarments	78
Debarments	38
Total Actions:	141 (FY2009 95)

## Air Force FY2010 Statistics:

Suspensions	83
Proposed Debarments	159
Debarments	111
Total Actions:	353 (FY2009 222)



# Reviews and Audits

- GAO
  - GAO Review of Agency Suspension and Debarment Programs, June 2011
  - GAO Review of DLA Contractor Ineligibility Process, GAO Engagement Code 350949, initiated November 28, 2006. Terminated April 3, 2007.
  - GAO Report, “Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds,” GAO-09-174, February 2009.



# Reviews and Audits

- DODIG
  - Project No. D210-D000CG-0177.000,  
“Additional Actions Can Further Improve the DoD Suspension and Debarment Process.”



# What Should You do if You Suspect Fraudulent Activity, Waste, or Abuse

**Abuse of authority, mismanagement,  
Fraud, & Waste Department of  
Defense**

**[hotline@dodig.mil](mailto:hotline@dodig.mil)**  
**[www.dodig.mil/hotline](http://www.dodig.mil/hotline)**

**Fraud, Waste, & Abuse Hotline: 1-800-424-9098**



# Conclusion

- Questions or Discussion?

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